

FINANCE COMMITTEE

Fiscal Year 2012

The Finance Committee advises the Town on matters affecting Town finances and makes transfers from the Reserve Fund to cover extraordinary or unforeseen expenses. The primary focus of the Committee's responsibility and work consists of adopting guidelines for managing the Town's money and recommending a comprehensive budget consistent with those guidelines to the Annual Town Meeting. As it does so, the Committee considers recent year trends, projections for the next years, and prudent financial management practices. The Committee oversees the formulation and implementation of sound financial management policies. The Committee also recommends a course of action for any articles having financial implications that come before any Annual or Special Town Meeting.

The Finance Committee's recommended Preliminary Budget Guidelines are presented in the fall to the Town Manager, Superintendent of Schools, and Library Director to provide them with information on the level of resources that are expected to be available for spending on operating and capital budgets in the next fiscal year. This enables them to propose budgets in January for Finance Committee review. As it develops the Preliminary Budget Guidelines, the committee considers the revenue that is expected from taxation, state aid including Chapter 70 education funds, and other sources. The committee also considers the need to maintain appropriate levels of reserves in the form of Free Cash and the Stabilization Fund, projections for revenue and expenses in the next years, and longer-term financial demands on the Town. The guidelines are developed from the Finance Director's projections of revenues and spending for the previous, current and next three to five fiscal years.

Changes to the guidelines sometimes occur as new information about funding sources and service needs becomes available during the budget process. Such changes might be to the amount of available resources and/or particular needs to support municipal services, elementary schools, regional schools and library services. The committee may change the proportion of the total going to these different sections of the overall Town operating budget.

The Committee obtains advice throughout the budget process from other boards and committees, staff, and the general public, including the Budget Coordinating Group and the Joint Capital Planning Committee. Two Finance Committee members are designated to serve on each of these other two committees and one member serves on the Audit Committee. Committee members also serve as liaisons to the Select Board, School Committees, and Library Trustees to facilitate a coordinated budget process and understand the unique challenges and needs of all Town programs and services.

Fiscal year 2013 guidelines and budget

The development of the FY 13 budget commenced in October 2011 with financial projections from Finance Director Sanford Pooler. Mr. Pooler projected a 2.8% revenue increase for FY 13. The Preliminary Guidelines asked for operating budgets from the Town Manager, for libraries, and for the elementary schools at a 2.8% increase from current year (FY 12) levels. The guidelines asked for a regional school budget that would increase the Amherst assessment by 2.8% and proposed capital expenditures totaling 6.5% of the property tax levy. When the

Preliminary Guidelines were developed, the Committee projected that the budget would be essentially balanced (a surplus of \$33,168) without use of Free Cash or Stabilization Funds.

The budget that the committee proposed to Town Meeting, and was adopted at the 2012 Annual Town Meeting, differed from the Preliminary Guidelines in several respects. It required the use of Free Cash to address a one-time need of the elementary schools. In the prior three years Federal stimulus funding was available to help support the schools. That grant was fully expended in FY 12. The School Committee voted to accept School Choice students beginning in September, 2012, but the revenue it would generate was not immediately available. The Committee recommended using \$218,200 from Free Cash on a one-time basis to provide stability for the elementary schools during the transition from grant to School Choice funding. The increase for the Regional Schools assessment was less than projected in the Preliminary Guidelines because the Region was able to project a reduction in retired teacher insurance expenses. The combined operating budgets increased by 3.1% from the previous year. The General Fund Budget increased by 3.7% from FY 12.

Property tax revenue is predictable since, without an override, it can only increase by 2.5% plus any additional taxation generated by new growth. The second largest source of revenue is from state aid, mostly Chapter 70 funding for education and Unrestricted General Government Aid. As it developed the budget recommendation for Town Meeting, the Committee assumed that there would be no change for this revenue from the previous year. When the state adopted its budget for FY 13 in July, the amount of state aid for Amherst exceeded that projection by \$585,342. The Fall 2013 Town Meeting transferred the additional state aid to the Other Post Employment Benefits (OPEB) Trust as recommended by the Committee.

Reserves

The Town had been spending reserves to support operating budgets, in varying amounts, from FY 02 through FY 12. As noted, Town Meeting used \$218,200 from Free Cash to balance the FY 12 budget. The Department of Revenue certified free cash at the end of FY 12 at \$4,326,501. That plus our Stabilization Fund (\$1,821,401) indicates that on June 30, 2013, the end of FY 12, reserves are \$6,147,902. The increase in reserves from the previous year was \$506,481. Reserves represented roughly 9.2% of general fund operating revenues. The section of the Finance Committee's 2008 Financial Management Policies and Objectives regarding reserves states that "reserves, including the combined balance of Free Cash and Stabilization Fund, should be maintained at 5-15% of general fund operating revenues. The primary objective of the Town's reserve policy is to provide the Town the flexibility to sustain service levels despite the adverse financial impacts of economic downturns and unforeseen and extraordinary expenses." This goal is a widely accepted measure of good financial standing and a key factor in Amherst's bond rating

Fiscal year 2012 Reserve Fund transfer

The Reserve Fund is used by the Finance Committee to cover extraordinary or unforeseen expenses of the Town. An amount is appropriated at each Annual Town Meeting for this purpose. Most years, including FY 12, the appropriation has been \$100,000. When the Committee met on July 12, 2012, its members voted to transfer \$37,420 of the Reserve Fund to

cover unanticipated expenses in Community Services. That meant that \$62,580 was returned to the Undesignated Fund Balance and became Free Cash.

Meetings

The Committee held 21 meetings during the year including a combined meeting with the Select Board, School Committee and Jones Library Trustees, and meetings with the Amherst Select Board, Amherst School Committee and representatives from the other three Regional School District towns (Pelham, Leverett, and Shutesbury).

Members of the Committee

Members who served diligently and with great thoughtfulness were Andrew Steinberg (Chair), Kay Moran (Vice-Chair), Janice Ratner, Bob Saul, Anurag Sharma, Douglas Slaughter, and Marylou Theilman.

Thanks

The Committee required a great deal of staff support to gather information and to present it to Town Meeting. Sanford Pooler gave us invaluable support as Finance Director. Sandy and the staff of the Finance Department provided necessary information about the Town's financial history and current situation. He contributed knowledge, experience, perspective, analysis and advice. Maria Racca, Financial Analyst, organized information for us and also produced our reports, usually under acute deadline pressure. Comptroller Sonia Aldrich provided timely, accurate and informative reports about town revenues and expenses which enabled us to monitor the Town's financial performance as it operated on budgets adopted by the Town Meeting.

We rely on assistance of the Town Manager's office staff to help organize our operation. The committee's review and evaluation of the various parts of the Town's budget depends on the assistance of the Town Manager, School Superintendent, Library Director and members of their staffs, along with department heads and other staff responsible for municipal services. Contributions of the Select Board, School Committee and Jones Library Trustees are essential to arriving at an acceptable budget to recommend to Town Meeting. We thank them all for their generous assistance.

We are committed to organizing and presenting financial information to Town Meeting members in order to assist them in carrying out their duty to determine spending policies and appropriate funding for Town, School, Library and Capital needs of the Town. We appreciate the comments and guidance they give us, both as individual members and as a group, the appropriating authority of the Town.

Andrew Steinberg, Chair